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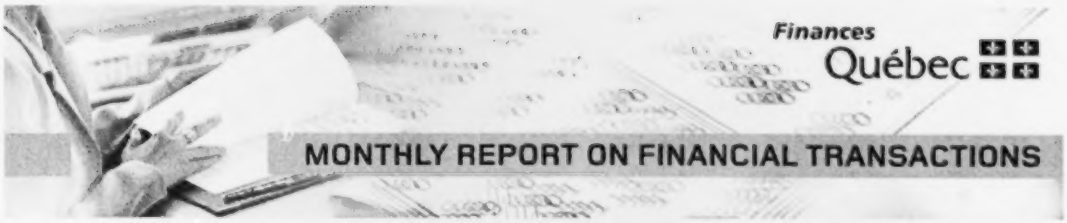


Volume 2, number 9 February 29, 2008

AS AT DECEMBER 31, 2007

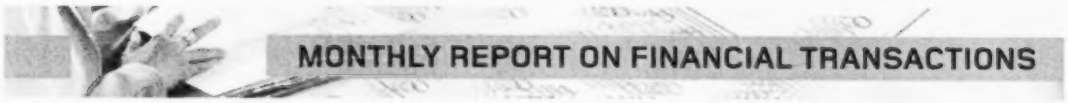
December 2007 highlights

- The budgetary balance for December 2007 indicates that revenue is running $860 million ahead of expenditure.
- Budgetary revenue amounts to $6.1 billion, a decrease of $77 million compared to last year. Own-source revenue stands at $5.0 billion, while federal transfers amount to $1.1 billion.
- Program spending is up by $242 million compared to December 2006 and stands at $4.7 billion. This increase is attributable, in particular, to the rise in spending relating to the health and social services and the education networks.
- Debt service stands at $614 million, up $25 million compared to last year.
- Payments to the Generations Fund amount to $35 million.

SUMMARY OF BUDGETARY TRANSACTIONS
(millions of dollars) **(Unaudited data)**

	December [1]		April to December [1]		*Update on Québec's Economic and Financial Situation* [1]	
	2006 [2]	2007	2006-2007 [2]	2007-2008	2007-2008	Growth %
BUDGETARY REVENUE						
Own-source revenue	5 252	4 981	35 688	36 570	48 453	- 1.9
Federal transfers	913	1 107	8 200	9 856	13 262	20.3
Total	**6 165**	**6 088**	**43 888**	**46 426**	**61 715**	**2.1**
BUDGETARY EXPENDITURE						
Program spending	- 4 416	- 4 658	- 39 064	- 40 687	- 54 104	4.3
Debt service	- 589	- 614	- 5 154	- 5 240	- 6 989	0.9
Total	**- 5 005**	**- 5 272**	**- 44 218**	**- 45 927**	**- 61 093**	**3.9**
NET RESULTS OF CONSOLIDATED ORGANIZATIONS	**25**	**60**	**184**	**24**	**41**	—
NET RESULTS OF THE NETWORKS	—	**- 16**	—	**- 139**	—	—
REVENUE DEDICATED TO THE GENERATIONS FUND [3]	—	**35**	—	**241**	**453**	—
IMPACT OF THE ACCOUNTING REFORM [1]	—	—	—	—	**- 663**	—
BUDGETARY BALANCE BEFORE PAYMENTS TO THE GENERATIONS FUND AND USE OF THE BUDGETARY RESERVE	**1 185**	**895**	**- 146**	**625**	**453**	—
Use of part of the budgetary reserve	—	**0**	—	**200**	**200**	—
Payments to the Generations Fund	—	**- 35**	—	**- 441**	**- 653**	—
BUDGETARY BALANCE [4]	**1 185**	**860**	**- 146**	**384**	**0**	—

1 See the note on the accounting reform on the next page.
2 Some figures for 2006-2007 have been reclassified for consistency with the presentation adopted in 2007-2008.
3 The Generations Fund began operations on January 1, 2007.
4 Corresponds to the consolidated budgetary balance for the purposes of the *Balanced Budget Act*.



Cumulative results as at December 31, 2007

Budgetary balance

- For the first three quarters of the current year, the budgetary balance shows revenue exceeding expenditure by $384 million. This is an improvement of $530 million compared to last year's results.

Budgetary revenue

- Budgetary revenue since the beginning of the year amounts to $46.4 billion, an increase of $2.5 billion compared to the same period last year.
- Own-source revenue stands at $36.6 billion, $882 million more than as at December 31, 2006. This improvement is attributable in particular to economic growth, resulting in increased revenue from personal income tax and the sales tax.
- Federal transfers amount to $9.8 billion for the first nine months of the current fiscal year, an increase of $1.6 billion compared to the same period in 2006-2007.

Budgetary expenditure

- As at December 31, 2007, budgetary expenditure amounts to $45.9 billion, an increase of $1.7 billion compared to last year.
- Program spending is up by $1.6 billion compared to last year and stands at $40.7 billion. The most significant changes are in the Health and Social Services ($914 million) and the Education and Culture ($497 million) missions.
- Debt service amounts to $5.2 billion, up $86 million compared to December 31, 2006.

Generations Fund

- Payments to the Generations Fund amount to $441 million, including the additional payment of $200 million made further to the use of part of the budgetary reserve.

Net financial requirements

- For the period from April to December 2007, consolidated net financial requirements stand at $3.6 billion, a decline of $1.1 billion compared to last year.
- This reduction is attributable to the $771-million improvement in the consolidated budgetary balance and a decline in consolidated non-budgetary requirements of $352 million.

Note on the accounting reform

- *The results for the month of December 2007 and the year 2007-2008 reflect the changes made to the accounting practices as part of the accounting reform announced last December 11.*
- *The comparative figures for 2006-2007 have not been restated to reflect the changes made by the accounting reform. The impact of the reform in 2007-2008 shown in the Update on Québec's Economic and Financial Situation was established at $663 million.[1] Accordingly, caution is required when making comparisons between 2006-2007 and 2007-2008.*

1 See the fall 2007 *Update on Québec's Economic and Financial Situation* for more information on the impact of the accounting reform.

CONSOLIDATED BUDGETARY AND FINANCIAL TRANSACTIONS

(millions of dollars) **(Unaudited data)**

	December			April to December		
	2006	2007	Changes	2006-2007	2007-2008	Changes
BUDGETARY REVENUE						
Own-source revenue	5 252	4 981	- 271	35 688	36 570	882
Federal transfers	913	1 107	194	8 200	9 856	1 656
Total	**6 165**	**6 088**	**- 77**	**43 888**	**46 426**	**2 538**
BUDGETARY EXPENDITURE						
Program spending	- 4 416	- 4 658	- 242	- 39 064	- 40 687	- 1 623
Debt service	- 589	- 614	- 25	- 5 154	- 5 240	- 86
Total	**- 5 005**	**- 5 272**	**- 267**	**- 44 218**	**- 45 927**	**- 1 709**
NET RESULTS OF CONSOLIDATED ORGANIZATIONS	**25**	**60**	**35**	**184**	**24**	**- 160**
NET RESULTS OF THE NETWORKS	**—**	**- 16**	**- 16**	**—**	**- 139**	**- 139**
Revenue dedicated to the Generations Fund	**—**	**35**	**35**	**—**	**241**	**241**
Use of part of the budgetary reserve	**—**	**0**	**0**	**—**	**200**	**200**
Payments to the Generations Fund	**—**	**- 35**	**- 35**	**—**	**- 441**	**- 441**
BUDGETARY BALANCE [1]	**1 185**	**860**	**- 325**	**- 146**	**384**	**530**
Revenue dedicated to the Generations Fund	**—**	**35**	**35**	**—**	**241**	**241**
CONSOLIDATED BUDGETARY BALANCE	**1 185**	**895**	**- 290**	**- 146**	**625**	**771**
Consolidated non-budgetary surplus (requirements)	- 2 545	- 1 851	694	- 4 554	- 4 202	352
CONSOLIDATED NET FINANCIAL SURPLUS (REQUIREMENTS)	**- 1 360**	**- 956**	**404**	**- 4 700**	**- 3 577**	**1 123**

1 Corresponds to the consolidated budgetary balance for the purposes of the *Balanced Budget Act*.

CONSOLIDATED REVENUE FUND REVENUE

(millions of dollars) (Unaudited data)

	December			April to December		
Revenue by source	2006	2007	Changes %	2006-2007	2007-2008	Changes %
BUDGETARY REVENUE						
Own-source revenue excluding government enterprises						
Income and property taxes						
Personal income tax	2 166	2 242	3.5	13 152	14 228	8.2
Contributions to Health Services Fund	437	464	6.2	3 810	3 971	4.2
Corporate taxes	307	383	24.8	2 854	3 016	5.7
Consumption taxes	1 528	1 403	- 8.2	9 873	10 231	3.6
Other sources	156	159	1.9	1 772	1 946	9.8
Total	**4 594**	**4 651**	**1.2**	**31 461**	**33 392**	**6.1**
Revenue from government enterprises	**658**	**330**	**- 49.8**	**4 227**	**3 178**	**- 24.8**
Total own-source revenue	**5 252**	**4 981**	**- 5.2**	**35 688**	**36 570**	**2.5**
Federal transfers						
Equalization	467	597	27.8	4 139	5 370	29.7
Health transfers	299	317	6.0	2 700	2 799	3.7
Transfers for post-secondary education and other social programs	85	119	40.0	779	1 043	33.9
Other programs	62	74	19.4	582	644	10.7
Total federal transfers	**913**	**1 107**	**21.2**	**8 200**	**9 856**	**20.2**
TOTAL BUDGETARY REVENUE	**6 165**	**6 088**	**- 1.2**	**43 888**	**46 426**	**5.8**

CONSOLIDATED REVENUE FUND EXPENDITURE

(millions of dollars) (Unaudited data)

	December			April to December		
Expenditures by mission	2006	2007	Changes %	2006-2007	2007-2008	Changes %
BUDGETARY EXPENDITURE						
Program spending						
Health and Social Services	1 854	1 930	4.1	16 673	17 587	5.5
Education and Culture	1 338	1 399	4.6	10 577	11 074	4.7
Economy and Environment	500	498	- 0.4	4 572	4 804	5.1
Support for Individuals and Families	422	448	6.2	3 839	3 992	4.0
Administration and Justice	302	383	26.8	3 403	3 230	- 5.1
Total program spending	**4 416**	**4 658**	**5.5**	**39 064**	**40 687**	**4.2**
Debt service	**589**	**614**	**4.2**	**5 154**	**5 240**	**1.7**
TOTAL BUDGETARY EXPENDITURE	**5 005**	**5 272**	**5.3**	**44 218**	**45 927**	**3.9**

For information on this monthly report, contact Luc Monty at 418 691-2225.
The report is also available on the ministère des Finances du Québec website: www.finances.gouv.qc.ca.